

Fiscal Services Division

Legislative Services Agency

Fiscal Note

HF 761 - Early Childhood Policy (LSB 2948 HV.2)

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Fiscal Note Version – As Amended and Passed By the Senate

Description

House File 761, as amended and passed by the Senate, adds the term “early care” to Chapter 28, Code of Iowa, pertaining to the Iowa Empowerment Board, and makes changes to the appointment process for the Board. The requirements for the Board’s technical assistance system are broadened to address early care, education, health, and human services, beyond the Community Empowerment Areas.

The Bill requires the Director of the Department of Management to appoint an Early Care Coordinator to work with Community Empowerment, Shared Visions, and other efforts addressing child development. The Coordinator is required to issue an annual report to the Governor and the General Assembly.

The Bill adds to the duties of the Iowa Empowerment Board, requiring the Board to:

- Provide an annually updated strategic plan to the Governor and the General Assembly that addresses, among other things, the integration of state-administered funding streams directed to community-based early care, education, health, and human services.
- Integrate statewide quality standards and results indicators adopted by other boards and commissions into the Board’s requirements.
- Develop and implement requirements for early care programs to annually report results to the public and the Early Care Coordinator.

House File 761, as amended and passed by the Senate, requires Community Empowerment Areas to measure progress through the use of performance and results indicators in order to receive any increase in State funding. The Bill authorizes the Empowerment Board to establish and implement limits on the carry-forward of School Ready Grant funding.

The Bill requires the Iowa Empowerment Board to provide for the operation of an Internet web page to provide information to the public regarding early learning standards, program standards for early care, and parent-specific information on early childhood and early care, the early childhood tuition tax credit, and other resources available.

The Bill requires each school district to annually administer the Dynamic Indicators of Basic Early Literacy Skills (DIBELS) kindergarten benchmark assessment to every kindergarten student enrolled not later than October 1.

The Bill requires the Department of Human Services (DHS) to establish a voluntary Quality Rating System (QRS) for child care, with implementation to begin on or after January 1, 2006. The DHS may modify implementation of the QRS based on the level of funding made available for FY 2006. As of July 1, 2005, the DHS must no longer accept applications for the “Gold Seal” quality child care provider designation.

The Bill establishes a tuition tax credit equal to 25.0% of the first \$1,000 a taxpayer has paid to others for each dependent ages 3 through 5 for early childhood development expenses, including preschool services.

Assumptions

1. Initial development of a web site will cost \$2,000, a one-time expense in FY 2006. Ongoing maintenance of the site will cost \$3,000 per year.
2. The Department of Management will require an additional FTE position for an Early Care Coordinator at a cost of \$68,000 for salary and benefits in FY 2006. A 4.0% increase in salary and benefits is assumed for FY 2007.
3. The statewide cost of administering the DIBELS assessment to all kindergartners annually is \$15,000 in FY 2006 for training and \$37,000 annually for analysis and reporting services. These costs will be paid by local school districts.
4. Cost projections for the Quality Rating System are based on the components for a QRS set forth in the required plan submitted in December 2004; however, the DHS will design the QRS within the parameters of available funds.
5. Costs associated with the development of the design of the QRS will begin on July 1, 2005, and costs associated with implementation will begin on January 1, 2006.
6. It is unknown how many of the 7,500 regulated child care providers will participate in the voluntary QRS.
7. It is estimated that there will be an increase in administrative and support costs to contract for Project Managers that will develop, review, and process rating certificates and associated data.
8. It is estimated that there will be increased costs associated with marketing the QRS, creating public awareness, and developing a communications plan that will provide information to parents, providers, and the public, which will include web-based information.
9. It is estimated that there will be increased costs associated with providing support to providers through five Child Care Center Specialists. These Specialists will be employed in Child Care Resource and Referral or other community-based agencies to provide technical assistance and follow-up for providers who complete training, environmental ratings, or self-assessments.
10. It is estimated that there will be increased costs to support the development and completion of an Environmental Rating Scale and to observe and score providers.
11. It is estimated that there will be increased costs for train-the-trainer and provider training on the use of Environmental Rating Scales for self-assessment.
12. It is estimated there will be increased costs to provide bonuses for providers who achieve a level two or above. This assumes that 45 providers (the equivalent of those that currently have the "Gold Seal" designation) would receive a bonus of approximately \$2,200 each in the first year.
13. The early childhood tuition tax credit is capped at \$5.0 million per year, and applications can be submitted until January 21, 2007. Assuming the credit is issued before July 1, the impact in FY 2007 and subsequent years will be a maximum of \$5.0 million annually.

Fiscal Impact

The fiscal impact of HF 761, as amended and passed by the Senate, on the State General Fund is estimated to be \$973,000 in FY 2006 and \$6.4 million in FY 2007. The table below provides a breakdown for the utilization of the estimated increase in expenditures:

Anticipated Cost Increases	FY 2006	FY 2007
Web Site & Early Care Coord.	\$ 73,000	\$ 74,000
Tuition Tax Credit	0	5,000,000
Quality Rating System:		
Project Management & Support	150,000	300,000
Marketing & Public Awareness	50,000	100,000
Child Care Center Specialists	250,000	250,000
Environ. Rating Scale Development & Observ	150,000	300,000
Train-the-Trainer & Provider Training	200,000	200,000
Provider Bonuses	100,000	200,000
Total	\$ 973,000	\$ 6,424,000

In addition, local school districts will experience an increase in costs related to the DIBELS assessment, with a statewide impact of \$52,000 in FY 2006 and \$37,000 in FY 2007.

Sources

Department of Management, Community Empowerment Office
Department of Human Services

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May 10, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
